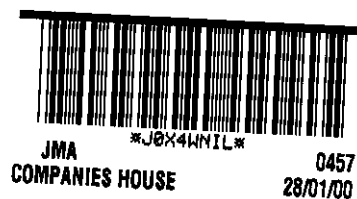


The Lowwood Products Company Limited

Directors' report and financial statements

31 March 1999

Registered number 515487



The Lowwood Products Company Limited

Directors' report and financial statements

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The Lowwood Products Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

Principal activities

The principal activities of the company during the year were predominantly connected with the generation and sale of electricity.

Business review

The results for the year are set out on page 5 of these financial statements.

Proposed dividends and transfer to reserves

The directors do not recommend the payment of a dividend .

The profit for the year retained in the company is £126,259.

Directors and directors' interests

The directors who held office during the year and their interests in the ordinary shares of the company, as recorded in the register of directors' share interests, were as follows:

	Shares of £1 each at beginning and end of year
O W Barratt	45
J P E Taylor	42
W W Wilson, Chairman	42
	<hr/>

Year 2000

The company has been addressing the problems related to Year 2000 non-compliance of accounting and other such systems. Any costs are not yet quantified but are not anticipated to be significant. To date the company has not suffered any significant weaknesses as a result of the year 2000 issue.

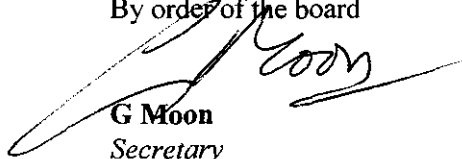
The Lowwood Products Company Limited

Directors' report *(continued)*

Auditors

In accordance with Section 384 (1) of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



G Moon
Secretary

24th January, 2000

74 Duke Street
Barrow in Furness
Cumbria

The Lowwood Products Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditor's report to the members of The Lowwood Products Company Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from disagreement about accounting treatment

As explained in note 6, the company has recorded its interest in part of its investment property portfolio at cost rather than at open market value as required by Statement of Standard Accounting Practice No 19, 'Accounting for Investment Properties'. As no valuations have been carried out, it is not possible for us to quantify the effect of this departure.

Except for any adjustments that might have been necessary to include investment properties at market value, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kerry
KPMG
Chartered Accountants
Registered Auditors

28 January 2000

The Lowwood Products Company Limited

Profit and loss account

for the year ended 31 March 1999

	Note	1999 £	1998 £
Turnover from continuing operations	2	142,513	111,993
Cost of sales		(16,997)	(13,668)
Gross profit		125,516	98,325
Administrative expenses		(13,812)	(12,359)
Operating profit from continuing operations		111,704	85,966
Income from fixed asset investment properties		42,076	30,407
Other interest receivable and similar income		6,403	4,378
Profit on ordinary activities before taxation	3-4	160,183	120,751
Tax on profit on ordinary activities	5	(33,924)	(24,911)
Retained profit for the financial year		126,259	95,840
Retained profit brought forward		773,629	677,789
Retained profit carried forward		899,888	773,629

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no statement of total recognised gains and losses has been presented.

The Lowwood Products Company Limited

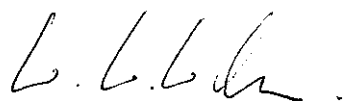
Balance sheet

at 31 March 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	6		772,389		655,134
Investments	7		1		1
			<u>772,390</u>		<u>655,135</u>
Current assets					
Debtors	8	25,580		25,181	
Cash at bank and in hand		142,923		131,338	
		<u>168,503</u>		<u>156,519</u>	
Creditors: amounts falling due within one year	9	(30,481)		(37,725)	
Net current assets			<u>138,022</u>		<u>118,794</u>
Provision for liabilities and charges	10		(10,224)		-
Net assets			<u>900,188</u>		<u>773,929</u>
Capital and reserves					
Called up share capital	11		300		300
Profit and loss account			899,888		773,629
Equity shareholders' funds			<u>900,188</u>		<u>773,929</u>

These financial statements were approved by the board of directors on 24 January 2000, and were signed on its behalf by:

W W Wilson
Director



The Lowwood Products Company Limited

Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	126,259	95,840
Net addition to shareholders' funds	126,259	95,840
Opening shareholders' funds	773,929	678,089
Closing shareholders' funds	900,188	773,929

The Lowwood Products Company Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group financial statements. The financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard Number 1 (Revised), paragraph 5 (f), and have not prepared a cash flow statement.

Investments

Investments in subsidiary undertakings are stated at the lower of cost and its carrying value. Dividends received and receivable are credited to the profit and loss account to the extent that they represent a realised profit to the company.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Freehold investment properties	-	Nil
Powerhouse	-	2% on a straight line basis
Plant and machinery	-	10% on a reducing balance basis

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

The Lowwood Products Company Limited

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation are wholly attributable to the company's principal activity and arose wholly within the United Kingdom.

3 Profit on ordinary activities before taxation

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	1,275	1,200
Other services	3,403	3,222
Depreciation of owned tangible fixed assets	381	422
Directors' remuneration	3,600	3,600
Net rents receivable from properties	(42,076)	(30,407)
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Management and directors	3	3
	<u> </u>	<u> </u>

5 Taxation

	1999 £	1998 £
UK corporation tax at 21% (1998:21%) on the profit for the year on ordinary activities	23,700	26,200
Overprovision in prior year	-	(1,289)
Deferred taxation (see note 10)	10,224	-
	<u> </u>	<u> </u>
	33,924	24,911
	<u> </u>	<u> </u>

The Lowwood Products Company Limited

Notes (continued)

6 Tangible fixed assets

	Freehold investment properties £	Power house £	Plant and machinery £	Total £
Cost				
At beginning of year	651,372	810	23,533	675,715
Additions	-	-	117,636	117,636
At end of year	651,372	810	141,169	793,351
Depreciation				
At beginning of year	-	701	19,880	20,581
Charge for year	-	16	365	381
At end of year	-	717	20,245	20,962
Net book value				
At 31 March 1999	651,372	93	120,924	772,389
At 31 March 1998	651,372	109	3,653	655,134

The freehold investment property portfolio comprises property purchased in 1992 and June 1993 at a total cost of £601,670, which the directors consider to have a current market value similar to cost, and property held for many years stated at a historic cost of £49,702 against which no current valuation has been provided.

The Lowwood Products Company Limited

Notes (continued)

7 Fixed asset investments

Cost of investment in subsidiary undertaking	100 £1 ordinary shares in Charcoal Iron Company Limited
<i>Cost and net book value</i>	£
At beginning and end of year	1
	=====

The company owns 100% of the ordinary share capital of Charcoal Iron Company Limited. The company has not traded during the current and previous year and has net assets of £46. No group financial statements have been prepared as the parent and subsidiary undertaking qualify as a small group.

8 Debtors

	1999 £	1998 £
Trade debtors	5,493	9,174
Other debtors	20,087	16,007
	=====	=====
	25,580	25,181
	=====	=====

All debtors fall due within one year.

The Lowwood Products Company Limited

Notes (continued)

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Corporation tax	23,700	26,200
Other creditors and accruals	6,781	2,275
Other taxation & social security	-	9,250
	<u>30,481</u>	<u>37,725</u>

10 Provisions for liabilities and charge

	Deferred Taxation £
At beginning of year	-
Charge for the year in the profit and loss account (see note 5)	10,224
	<u>10,224</u>
At end of year	<u>10,224</u>

11 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
300 ordinary shares of £1 each	300	300
	<u>300</u>	<u>300</u>
<i>Allotted, called up and fully paid</i>		
300 ordinary shares of £1 each	300	300
	<u>300</u>	<u>300</u>

12 Commitments

At 31 March 1999 the company had authorised and contracted capital commitments of £443,104 (1998: £nil).

The Lowwood Products Company Limited

Trading account

for the year ended 31 March 1999

	1999		1998	
	£	£	£	£
Sales of electricity				
(No of units: 1,956,067)		121,759		97,121
NRA compensation		15,424		14,872
NWW 1995/96 Drought Order Compensation		5,330		-
		<u>142,513</u>		<u>111,993</u>
Less:				
Export charge	3,344		3,593	
Repairs and renewals	13,653		10,075	
	<u> </u>	(16,997)	<u> </u>	(13,668)
		<u>125,516</u>		<u>98,325</u>
 Rental income:				
Levensdale Cottages, Lowwood	6,752		6,763	
Oakroyd, Millows Park, Ambleside	2,500		5,000	
The Common, Windermere	42,864		39,603	
Caravan Park	3,920		3,390	
Rookery Farm	8,250		8,250	
Owslin Laithe, Hills Lane, Winterburn	4,880		4,880	
Sundries (include grants)	839		782	
	<u>70,005</u>		<u>68,668</u>	
Less: Expenditure	(27,929)		(38,261)	
	<u> </u>	42,076	<u> </u>	30,407
 Other income:				
VAT recovered		-		2,073
Bank interest		6,403		2,305
		<u>173,995</u>		<u>133,110</u>
Less:				
Directors' Executive				
Remuneration	3,600		3,600	
Subscriptions	307		454	
Legal and professional	250		11	
Audit and accountancy	4,678		4,422	
Depreciation	381		422	
Rates	847		760	
Insurance	2,562		2,562	
Sundry charges	1,023		128	
Bank charges	164		-	
	<u> </u>	(13,812)	<u> </u>	(12,359)
 Profit before taxation		<u>160,183</u>		<u>120,751</u>